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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date [REDACTED]

Surname [REDACTED]

Date:

JUN 0 8 2000

Employer Identification Number:
[REDACTED]

Contact Person:
[REDACTED]

Contact Number:
[REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. We have determined that you do not qualify for exemption under that section of the Code. Our reasons for this conclusion and the facts upon which it is based are explained below.

The information submitted indicates that you were incorporated on [REDACTED] under the Nonprofit Corporation Act of [REDACTED]. Your Articles of Incorporation state that you were organized exclusively for the promotion of the educational, business, and professional interests of your members, and that your members do not have the right to vote for the election of directors or for any other purpose.

Your bylaws provide that you shall have two classes of members, individual and organizational, that members shall be entitled to the benefits of membership, and that they shall be required to pay such dues as are established. Your bylaws also provide that your management and administration shall be vested in your Board of Directors, four in number when the bylaws were adopted, who shall be elected at each annual meeting of your Board and continue in office until the election of their successors. Your bylaws further provide that your officers (President, Vice President, Secretary, and Treasurer) shall be elected by your Board.

In your application, you state that you represent the interests of thrift savings plan participants, that is, federal employees, beneficiaries, and those formerly in public employment. You state that as a benefit of membership, you provide financial planning services and other affinity benefits; as a part of financial planning services provided through a contractual relationship with a respected national vendor, you offer members a quarterly newsletter discussing thrift plan returns, legislative and regulatory activities affecting participants and beneficiaries, market overviews, and other relevant information. You state that you also provide: (1) access to a dedicated "desk" for nationwide financial planning advice through a toll-free phone number, (2) investment seminars at sites around the country and through teleconferencing, (3) through a password protected world wide web site, on-line general and/or specific services tailored to the individual needs of members and hyperlinks to relevant financial planning resources, (4) discounts for brokerage services and other subscription services, and (5) discounts from an array of service providers uniquely qualified to serve the needs of federal employees, retirees, and thrift plan participants and beneficiaries, as well as government affairs representation to promote and protect the interests of thrift plan account holders in a collective manner. In your brochure, you state that you provide members with a trained, professional financial advisor from a nationally recognized company who knows about federal benefit and retirement programs, and that you also provide access to discounted brokerage services, estate planning, and the personal attention that members' hard earned dollars deserve.

[REDACTED]

You state that your initial financial support has been derived from loans. You expect that the majority of your income in the future will be derived from membership receipts with some income from affinity relationships in the form of promotional premiums. You state that no members or shareholders will be paid for services performed, and that you will contract with outsourcing companies to derive many of your services to members. You also state that you will not provide insurance for your members and their dependents, but rather that members may have access to such services through your affinity partners.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for a profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Rev. Rul. 56-65, 1956-1 C.B. 199, holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses, is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption under section 501(c)(6) of the Code as a business league even though it performs functions which are of benefit to the particular industry and the public generally. The activities of the organization consist of the maintenance of plan rooms for the convenience of members, where plans and specifications for local construction projects, together with the names of general contractors bidding on specific projects, are filed.

Rev. Rul. 59-391, 1959-2 C.B. 151, holds that an organization whose membership consists of individuals, firms, associations, and corporations, each of whom represents a different trade, business occupation, or profession, and created for the purpose of exchanging information on business prospects does not qualify for exemption under section 501(c)(6) of the Code. Part of the rationale for the ruling is that the members have no common business interest other than a mutual desire to increase their individual sales.

Rev. Rul. 67-295, 1967-2 C.B. 197, holds that an organization of businessmen holding luncheon meetings may qualify for exemption under section 501(c)(6) of the Code. The key to the determination is that the luncheon meetings are devoted to discussions, reviews, and considerations of the various problems in a particular industry.

Rev. Rul. 68-284, 1968-1 C.B. 284, defines a particular service for the purposes of section 501(c)(6) of the Code as an activity that serves as a convenience or economy to the members of the organization in the operation of their own businesses. The revenue ruling also states that activities that constitute the performance of particular services for individual persons may preclude exemption under section 501(c)(6).

Rev. Rul. 70-641, 1970-2 C.B. 119, involves an organization comprised of individuals from various professions in the field of public health. The organization's activities, which consist of lectures, seminars, and discussions, seeks to provide an interdisciplinary forum for exchanging knowledge and information. The revenue ruling concludes that the organization's activities promote the members' common business interests by increasing the effectiveness of the interaction among the various professions and solving common business problems. The fact that the members represent various professions does not prevent the organization from qualifying for exemption under section 501(c)(6) of the Code because they share a common business interest in the field of public health.

Rev. Rul. 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under section 501(c)(6) of the Code, describes in detail the history of section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the common business interest required under section 1.501(c)(6)-1 of the regulations is usually the general economic welfare of a community, and it has been accepted that an organization seeking exemption under section 501(c)(6) as a chamber of commerce must be one whose efforts are directed at promoting the common economic interests of all the commercial enterprises in a given trade community. Trade associations or business leagues under section 501(c)(6) are similar to chambers of commerce, except that they serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry. The revenue ruling also stresses that membership in section 501(c)(6) organizations is voluntary and open generally to all businesses and professional persons in the community.

In American Kennel Club v. Hoey, 148 F.2d 920 (2nd Cir.1945), the court held that an association of dog owners, most of whom were not in the business of raising and selling dogs, did not further a common business interest and thus was not exempt under section 501(c)(6) of the Code.

The term "business" is construed broadly for purposes of section 501(c)(6) of the Code and includes almost any enterprise or activity conducted for remuneration. Thus, the term is broad enough to encompass professionals, as explained in Rev. Rul. 70-641, supra, as well as mercantile and trading businesses. It may also include the activities of organizations, such as consumer cooperatives, which engage in business on a cooperative basis. Where there is no "business" involved, however, as explained in American Kennel Club v. Hoey, supra, exemption under section 501(c)(6) is precluded.

The information you have submitted fails to establish that the individuals whom you identify as your members are in a common line of business for purposes of section 501(c)(6) of the Code, which requires more than a finding that the individuals are engaged in a business, or even that your members are involved in any business. In either event, unlike the organizations described in Rev. Ruls. 67-295 and 70-641, both supra, your membership does not represent either a specific industry or various professions within a common business field. Your membership is not comprised of either an entire industry or all components of an industry within any particular trade community, but rather is composed of individuals in a particular retirement program.

Your program is similar to that of the organization described in Rev. Rul. 59-391, supra, in that the sole purpose your members have to attend your meetings or to receive the information you have to present is a mutual desire to increase or enhance their own retirement accounts. We recognize that there are distinctions between your operations and those of the organization described in Rev. Rul. 59-391, in that membership in your organization is not necessarily restricted to different trade, business occupations, or professions. However, the basic holding in that revenue ruling is that the participants have no common business interest other than a mutual desire to increase sales and that this is not

[REDACTED]

sufficient to establish a common line of business for the purposes of section 501(c)(6) of the Code. Your membership similarly is not made up of persons with a common business interest within the meaning of section 501(c)(6), but rather consists of persons desiring to increase or enhance their own personal wealth. We have concluded that the holding in Rev. Rul. 59-391 applies to you and therefore you do not qualify for exemption under section 501(c)(6).

Also, the "affinity" programs you are making arrangements to offer your members are considered to be particular services within the meaning of section 1.501(c)(6)-1 of the regulations as described in Rev. Rul. 58-85, supra. If such programs rise to the level of being primary activities, they would be an independent ground for denial of exemption under section 501(c)(6) of the Code as explained in Rev. Rul. 68-264, supra.

Since you are not structured along particular industry or business lines, your right to exemption under section 501(c)(6) of the Code, if any, must rest on your characterization as a chamber of commerce or board of trade or similar organization. Membership in your organization, however, is limited to participants in the federal employees thrift savings plan or public employment with retirement benefits accruing. Therefore, your efforts are considered to be restricted to and directed at your members rather than being directed at promoting the common economic interests of all the commercial enterprises in your particular trade community. As explained in Rev. Rul. 78-225, supra, membership of a business community, for purposes of section 501(c)(6), comprises more than a group of individuals. Therefore, your benefits are not considered to be open generally to all businesses and professional men and women in your community within the meaning of section 501(c)(6). Thus, as explained in Rev. Rul. 73-411, supra, you are not defined as a chamber of commerce or board of trade or similar organization within the meaning of section 501(c)(6).

For these reasons, we conclude that you do not qualify for recognition of exemption from federal income tax as a business league or chamber of commerce under section 501(c)(6) of the Code. You are required to file federal income tax returns.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your protest statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) Customer Service office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following address on the envelope:

Internal Revenue Service
T:EO:RA:T:2-CCH, Room 6539
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

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[REDACTED]

If you have any questions regarding this letter, please contact the person whose name and telephone number are shown in the heading.

Sincerely yours,

(10/15/73) (10/15/73) (10/15/73)

Garland A. Carter
Manager, Exempt Organizations
Technical Group 2

cc: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]